

*What Is It, and Which Office Approves One?*

A FARA is an agreement with a host government to achieve specific results for a fixed reimbursement amount after completion of agreed-upon milestones, which indicate significant progress towards development objectives. The amount of reimbursement is based on reasonable cost estimated in advance by USAID. The grantee will bear the financial risk if actual costs exceed the milestone payment amount. While USAID may issue advance payments, structuring the payment schedule to accommodate the grantee's cash flow situation is preferred. FARAs usually take the form of Implementation Letters.

*Why use it?*

A FARA focuses on outputs rather than inputs or actual cost. FARAs can further development sustainability by incorporating terms of specific technical assistance that develop vital capacities and support mature government procurement processes. FARAs advance USAID Forward implementation and procurement reform (IPR), and government to government (G2G) local capacity development (LCD). FARAs can lessen the dependence on traditional USAID partners allowing more funds to directly support host government capacity improvement.

*What is the USAID Senegal Experience with FARAs?*

The Education team has used FARAs since 2007 to support sustainable school-building. Besides helping strengthen host-government planning and quality service procurement, this mechanism has been very effective in ensuring that schools are appropriately located and improve the ministry's capability to graduate to more complex cost-reimbursement agreements with varied partners. (Note that changes to USAID policy limit the ability to use grants and cooperative agreements for construction purposes in the future).

*What do you need to do to prepare a FARA?*

Work with the host government to obtain up-front clarification about cost-estimation, reimbursement processes, and specifics like how milestones will be verified. *What are Some Best Practices for FARAs?*

- Early on, start discussing the selection of the appropriate implementation mechanism for your project with support offices (PRM, FMO, RLA).
- Keep in mind that while FARA lowers financial risk for USAID, it actually increases financial risk for the host government. So, think carefully about the appropriateness of FARA for a particular project and the implementing government entity.
- Contact the RLA for the latest approved FARA as a template.
- Read [ADS 220 and 317](#) and work with support offices to identify needed justifications and discuss which are the most appropriate to use *before* drafting any justifications.
- Circulate draft documents amongst Mission support offices for comments *before* seeking approval.
- Ensure the Technical Office, FMO, RLA and PRM agree about the payment scheme of milestones, banking information, required assessments, timeframe, and if financial capacity development is needed.

*What are Some Best Practices for Developing Milestones?*

- Review recently approved FARAs as a template.
- Discuss payment schemes with OFM and verifiability with RLA.
- Use active voice when constructing milestones (who will provide what to whom).
- Milestones must reflect the expected incurred costs.
- Milestones must be based on a verifiable product.
- Allocation of payment enables recipient to obtain assets needed for the next milestone.

- Use words like “approximately” to allow USAID to continue if the milestone is substantially met.
- For events or services, require a report or a section in a report to document the event.
- Work with host government to be clear about expectations, especially roles various ministries will play in submitting reports and verification.
- Have discussions with host government about realistic cash flow scenarios.

**FARA Help Guide**

<b>ACTION</b>	<b>OFFICE</b>	<b>SUPPORT</b>
Discuss with the Government potential project activities which are aligned with the CDCS. Manage expectations as only a possibility (until project approval and funds available).	Technical Office	Program Office, OFM and RLA
Meet with Front Office, RLA, OFM, & PRM to identify the optimal implementation mechanism / obtain buy-in.	Technical Office	
(If <b>new</b> project design:) Hold Mission Review of Concept Paper.*	Project Development Officer (PDO)	
<i>Analyses &amp; Authorization:</i>  · Contact OFM for pre-award assessment. <sup>2</sup> · Ensure Congressional Notification, Activity Checklist, and IEE are complete and on file.	Technical Office	Program Office, OFM and RLA
Hold mission review of Action Memo/PAD.* Get authorization.	PDO	
Draft the FARA-+ 1) Finalize project deliverables 2) Conduct an independent government cost estimate 3) For FARA, agree with host government on a reimbursement payments based on the reasonable cost of deliverables 4) Discuss milestones w/ RLA (content) and OFM (payment scheme/content). Then agree on milestones with the host government. 5) Draft the FARA Implementation Letter for Mission approval	Technical Office and RLA	Design Team, including Technical Team/Program Office/OFM/RLA
Signing Ceremony	Technical Office	DOC

\* **Projects >\$1,000,000 require:** concept paper + review; PAD + review; and project authorization;  
**<\$1 million requires only:** 1-page concept paper, abbreviated PAD, and project authorization. It is the size of the entire project not individual agreements within a project that determines the review level.

<sup>2</sup> Note: A PFMRAF and CN must be completed for any G2G project (no matter which FY funds) unless the entire project award for any period of time up to 5 years (of which the FARA may only be a part) is less than \$10m.